

1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE MICHIGAN ECONOMY

The importance of small business to the state of Michigan is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, Michigan had 208,598 businesses with employees; 98.5 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 287,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 1.9 percent to \$11.1 billion in 1997, while wage-and-salary income rose 5.6 percent. The state also exported \$37.9 billion of goods in 1997. (In 1992, 82.2 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 263,000 women-owned businesses in Michigan, including part-time firms, employing 533,200 people and generating \$63.0 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 80.4 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 43.7 percent from 1987 to 1992, totaling 19,695 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 89.8 percent during the same time period with 5,036 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 4,729 in 1987, to 7,409 in 1992, representing a 56.7 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms increased 1.7 percent, while new business incorporations decreased 2.3 percent. Financial difficulties leading to business bankruptcies increased by 3.2 percent and business failures increased by 24.1 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in Michigan decreased from 205 in 1994 to 176 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
STATE BK OF ESCANABA	Escanaba
SHELBY ST BK	Shelby
MFC FIRST NB	Iron River
PEOPLES ST BK OF MUNISING	Munising
1ST BK	West Branch
MFC FIRST NB	Escanaba
SIGNATURE BK	Bad Axe
MADISON NB	Madison Heights
CAPITAL NB	Lansing
EASTERN MI BK	Croswell
CITIZENS NB CHEBOYGAN	Cheboygan
ISABELLA B&T	Mount Pleasant
MONROE B&TC	Monroe
FMB-FIRST MI BK	Zeeland
FIRST OF AMER BK NA	Kalamazoo
COMERICA BK	Detroit
NBD BK	Detroit
OLD KENT BK	Grand Rapids

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	253,593	65,899	35,641	104,099	(40,385)	418,847
Manufacturing	8,064	13,279	14,811	27,240	(2,204)	61,189
Retail Trade	41,313	5,187	1,630	10,051	(23,339)	34,844
Services	129,700	29,795	16,846	61,592	10,037	247,971
Other	74,516	17,639	2,352	5,215	(24,880)	74,843

Industries - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in Michigan, followed by Health Services. The fastest growing industry for small business is Transportation By Air (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	3,704,100	100.0	52.4
Health Services	8000	395,419	10.7	40.9
Eating & Drinking Places	5800	281,750	7.6	67.1
Transportation Equipment	3700	264,545	7.1	7.5
Business Services	7300	260,410	7.0	45.7
Wholesale Trade - Durable Goods	5000	139,428	3.8	70.5

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	1,941,184	100.0	52.4
Eating & Drinking Places	5800	188,983	7.6	67.1
Health Services	8000	161,719	10.7	40.9
Business Services	7300	119,049	7.0	45.7
Wholesale Trade - Durable Goods	5000	98,321	3.8	70.5
Special Trade Contractors	1700	95,137	2.7	96.1

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	1,941,184	68,017	3.5
Transportation By Air	4500	2,594	673	25.9
Chemicals & Allied Products	2800	6,960	1,127	16.2
Electric, Gas, & Sanitary Services	4900	3,976	623	15.7
Miscellaneous Repair Services	7600	15,975	1,591	10.0
Building Construction	1500	33,853	3,358	9.9

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.